

BEFORE THE DIVISION OF INSURANCE

STATE OF COLORADO

FINAL AGENCY ORDER O-09-027

**IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF
COLORADO CHOICE HEALTH PLANS d.b.a. SAN LUIS VALLEY HMO**

Respondent

THIS MATTER comes before the Colorado Commissioner of Insurance (the "Commissioner") as a result of a market conduct examination conducted by the Colorado Division of Insurance (the "Division") of Colorado Choice Health Plans d.b.a. San Luis Valley HMO (the "Respondent"), pursuant to §§ 10-1-201 to 207, and 10-16-416, C.R.S. The Commissioner has considered and reviewed the market conduct examination report dated September 8, 2008 (the "Report"), relevant examiners' work papers, all written submissions and rebuttals, and the recommendations of staff. The Commissioner finds and orders as follows:

FINDINGS OF FACT

1. At all relevant times, the Respondent was licensed by the Division as a health maintenance organization.
2. In accordance with §§ 10-1-201 to 207, and 10-16-416, C.R.S., on September 8, 2008, the Division completed a market conduct examination of the Respondent. The period of examination was January 1, 2007 to December 31, 2007.
3. In scheduling the market conduct examination and in determining its nature and scope, the Commissioner considered such matters as complaint analyses, underwriting and claims practices, pricing, product solicitation, policy form compliance, market share analyses, and other criteria as set forth in the most recent available edition of the Market Regulation Handbook adopted by the National Association of Insurance Commissioners, as required by § 10-1-203(1), C.R.S.
4. In conducting the examination, the examiners observed those guidelines and procedures set forth in the most recent available edition of the Market Regulation Handbook adopted by the National Association of Insurance Commissioners and the Colorado insurance examiners' handbook. The Commissioner also employed other guidelines and procedures that she deemed appropriate, pursuant to § 10-1-204(1), C.R.S.

5. The market conduct examiners prepared a Report. The Report is comprised of only the facts appearing upon the books, records, or other documents of the Respondent, its agents or other persons examined concerning Respondent's affairs. The Report contains the conclusions and recommendations that the examiners find reasonably warranted based upon the facts.
6. Respondent delivered to the Division written submissions and rebuttals to the Report.
7. The Commissioner has fully considered and reviewed the Report, all of Respondent's submissions and rebuttals, and all relevant portions of the examiners' work papers.

CONCLUSIONS OF LAW AND ORDER

8. Unless expressly modified in this Final Agency Order ("Order"), the Commissioner adopts the facts, conclusions and recommendations contained in the Report. A copy of the Report is attached to the Order and is incorporated by reference.
9. Issue E1 concerns the following violation: Failure, in some instances, to qualify dependent eligibility in accordance with the requirements of Colorado insurance law. *(This was prior issue E1 in the findings of the market conduct examination report dated September 6, 2002.)* The Respondent shall provide evidence to the Division that it has revised all applicable forms to correctly outline the requirements for dependent eligibility.
10. Issue E2 concerns the following violation: Failure, in some instances, to limit Member's liability to the stated copayments. *(This was prior issue E2 in the findings of the market conduct examination report dated September 6, 2002.)* The Respondent shall provide evidence to the Division that it has revised all applicable forms to ensure that Members' liability for covered services is limited to the copayments stated in their plans. The Division's records indicate that Respondent has complied with the corrective actions ordered concerning this violation.
11. Issue E3 concerns the following violation: Failure of the Company's individual health plan forms, in some instances, to provide coverage for maternity care, including complications of pregnancy and childbirth, in the same manner as any other sickness, injury, disease or condition is covered. The Respondent shall provide evidence to the Division that it has revised all applicable forms to ensure that coverage for maternity care, including complications of pregnancy, is provided in accordance with the

requirements of Colorado insurance law. The Division's records indicate that Respondent has complied with the corrective actions ordered concerning this violation.

12. Issue E4 concerns the following violation: Failure, in some instances, to provide dependent coverage beyond thirty-one (31) days if notification of dependent's birth or placement for adoption is not received within thirty-one (31) days. The Respondent shall provide evidence to the Division that it has revised all applicable forms to reflect that notification of the birth or placement of a dependent for adoption may only be required if the addition of such dependent would result in the requirement of payment of a specific premium to continue coverage beyond the first thirty-one (31) days. The Division's records indicate that Respondent has complied with the corrective actions ordered concerning this violation.
13. Issue E5 concerns the following violation: Failure, in some instances, to reflect coverage for transplants in accordance with Colorado insurance law. The Respondent shall provide evidence to the Division that it has revised all applicable forms to correctly reflect the coverage mandated for transplants as required by Colorado insurance law. The Division's records indicate that Respondent has complied with the corrective actions ordered concerning this violation.
14. Issue E6 concerns the following violation: Failure, in some instances, to include coverage for basic health care services. The Respondent shall provide evidence to the Division that it has revised all applicable forms to include coverage for basic health care services as required by Colorado insurance law. The Division's records indicate that Respondent has complied with the corrective actions ordered concerning this violation.
15. Issue E7 concerns the following violation: Failure of the Company's Basic and Standard health benefit plan forms to provide mandated coverage for dental care needed as a result of an accident. The Respondent shall provide evidence to the Division that it has revised its Basic and Standard health benefit plan forms to provide coverage for dental care needed as a result of an accident as required by Colorado insurance law. The Division's records indicate that Respondent has complied with the corrective actions ordered concerning this violation.
16. Issue E8 concerns the following violation: Failure, in some instances, to provide continuation coverage if an individual is eligible for Medicare or Medicaid. The Respondent shall provide evidence to the Division that it has revised all applicable forms to provide Continuation Coverage to individuals who may be eligible, but are not covered by Medicare or Medicaid, as required by Colorado insurance law. The Division's records

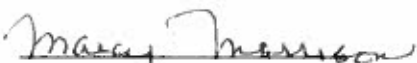
indicate that Respondent has complied with the corrective actions ordered concerning this violation.

17. Issue J1 concerns the following violation: Failure, in some instances, to allow the required thirty (30) calendar days for necessary additional information to be received before denying an unclear claim. The Respondent shall provide evidence to the Division that it has revised its procedures to ensure that the required thirty (30) calendar days are allowed for submission of necessary additional information before claims are denied, as required by Colorado insurance law. The Division's records indicate that Respondent has complied with the corrective actions ordered concerning this violation.
18. Issue J2 concerns the following violation: Failure, in some instances, to accurately track the submission type and number of days required to adjudicate claims. The Respondent shall provide evidence to the Division that it has reviewed and modified its procedures to ensure that the claim submission type (electronic vs. paper) is accurately recorded, and that the received date recorded in the claims system is the date the claim was first received by the company or any intermediary. The Division's records indicate that Respondent has complied with the corrective actions ordered concerning this violation.
19. Issue K1 concerns the following violation: Failure, in some instances, to ensure that the physician who evaluated 1st level reviews was not also involved in the original benefit denial. The Respondent shall provide evidence to the Division that it has reviewed and modified its procedures to ensure that the physician who evaluates 1st level reviews was not also involved in the original benefit denial. The Division's records indicate that Respondent has complied with the corrective actions ordered concerning this violation.
20. Pursuant to § 10-1-205(3)(d), C.R.S., the Respondent shall pay a civil penalty to the Division in the amount of thirty-three thousand and no/100 dollars (\$33,000.00) for the cited violations of Colorado law. This fine was calculated in accordance with Division guidelines for assessing penalties and fines, including Division Bulletin No. B-1.3, originally issued on January 1, 1998, re-issued May 8, 2007. Said penalty shall be assessed a 15% surcharge, or \$4,950.00, pursuant to 24-34-108, C.R.S. for a total balance due of \$37,950.00 which will be due to the Division within 30 days of the signing of this Final Agency Order. This surcharge will be used to fund the development, implementation and maintenance of a consumer outreach and education program.
21. Pursuant to § 10-1-205(4)(a), C.R.S., within sixty (60) days of the date of this Order, the Respondent shall file affidavits executed by each of its

directors stating under oath that they have received a copy of the adopted report and related Order.

22. Unless otherwise specified in this Order, all requirements with this Order shall be completed within thirty (30) days of the date of this Order. Respondent shall submit written evidence of compliance with all requirements to the Division within the thirty (30) day time frame, except where Respondent has already complied, as specifically noted in the Order. Copies of any rate and form filings shall be provided to the rate and forms section with evidence of the filings sent to the market conduct section. All self audits, if any, shall be performed in accordance with Division's document, 'Guidelines for Self Audits Performed by Companies'. Unless otherwise specified in this Order, all self audit reports must be received within ninety (90) days of the Order, including a summary of the findings and all monetary payments to covered persons.
23. This Order shall not prevent the Division from commencing future agency action relating to conduct of the Respondent not specifically addressed in the Report, not resolved according to the terms and conditions in this Order, or occurring before or after the examination period. Failure by the Respondent to comply with the terms of this Order may result in additional actions, penalties and sanctions, as provided for by law.
24. Copies of the examination report, and this final Order will be made available to the public no earlier than thirty (30) days after the date of this Order, subject to the requirements of § 10-1-205, C.R.S.

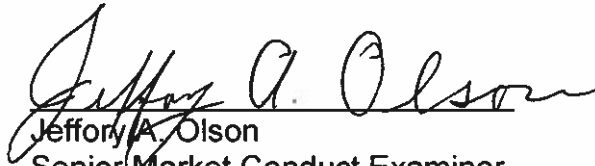
WHEREFORE: It is hereby ordered that the findings and conclusions contained in the Report dated September 8, 2008, are hereby adopted and filed and made an official record of this office, and the above Order is hereby approved this 4th day of December, 2008.


Marcy Morrison
Commissioner of Insurance

CERTIFICATE OF MAILING

I hereby certify that on the 4th day of December, 2008, I caused to be deposited the **FINAL AGENCY ORDER NO. O-09-027 IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF COLORADO CHOICE HEALTH PLANS d.b.a. SAN LUIS VALLEY HMO** in the United States Mail via certified mailing with postage affixed and addressed to:

Ms. Cindy Palmer, CEO
Colorado Choice Health Plans
d.b.a. San Luis Valley HMO
700 Main Street, Suite 100
Alamosa, CO 81101


Jeffery A. Olson
Senior Market Conduct Examiner
Market Regulation
Division of Insurance